



**CITIZENS NATIONAL
BANK**

2005 SEP 15 AM 9:55

Mr. John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square
San Francisco, California 94105

**Re: Comments Regarding FDIC Application #20051977; Wal-Mart Application
for Insurance and Industrial Bank Charter**

Dear Mr. Carter:

On behalf of Citizens National Bank, an independent bank located in East Texas, I submit this letter in opposition to Wal-Mart's application for a Utah industrial bank charter and FDIC insurance.

After reading numerous articles about Wal-Mart's application, a letter submitted to the FDIC from ICBA and my own personal experience of watching Wal-Mart, I don't see how granting a charter to Wal-Mart would be in the best interest of our bank or any other community bank.

Wal-Mart presently owns 238 Supercenters and 68 Discount Stores in the state of Texas alone.¹ In addition, Wal-Mart reported record sales for the second quarter ended July 31, 2005 with net sales of \$76.8 billion with net income coming in at \$2.8 billion.² Why do they want to charter a bank as well, except to use their retail delivery system.

Banks are steadily seeing their margins squeezed. There is competition on every corner. Not only do we have to compete with other banks, we are now having to compete with real estate agencies that house mortgage companies in their shops, insurance agencies with mortgage and loan services.....and now Wal-Mart? If this charter is approved, I anticipate Wal-Mart opening a full service bank over time. With stores across the country already, I don't see how this can be a good thing for the banking industry.

Even though Wal-Mart's current business plan is described as providing back office processing of credit card, debit card and electronic check transactions in the Wal-Mart Stores, Wal-Mart has had a well-publicized mission to get into the banking business despite the legal and regulatory

¹ www.walmartfacts.com/community/article.aspx?id=201

² www.walmartstores.com/news

barriers.³ If they are allowed to charter a bank, with the amount of money they have available, I anticipate Wal-Mart banks in every store and maybe even merging with regional banks.

The application by the world's largest company—with \$290 billion in revenue, 3,600 U.S. retail stores, 1.25 million U.S. employees, and more than 100 million customers a week—presents issues involving the mixing of banking and commerce, economic concentration, banking supervision and losses to taxpayers and community disinvestment.⁴

The Robinson-Patman Act of 1936 was passed to protect mom-and-pop grocers from the Great Atlantic & Pacific Tea Co., the Wal-Mart of its day. But contemporary antitrust interpretations avoid such David-and-Goliath populism. Giants like Wal-Mart have wide latitude to do as they wish to rivals and suppliers so long as they deliver lower prices to consumers.⁵

Not only does Wal-Mart pose a threat to the banking industry with their proposed bank charter, the large grocery store chains have lost significant market share with the additional of Supercenters. Albertsons Inc. has recently announced plans to sell the company at auction.⁶ This announcement could be the latest sign that traditional grocers have lost their battle to Wal-Mart Stores Inc.⁷ Wal-Mart now sells more food by revenue than any other retailer in the United States. Another reason making it more difficult to compete is the fact that grocery stores have more expensive unionized work forces, unlike the nonunion Wal-Mart.⁸

High on a wall inside Wal-Mart headquarters is a paper banner that says, "Who's taking your customers?" Beneath it, "Wanted" with the pictures of two dozen of America's largest retailers—Target, Kroger, Winn-Dixie Stores, Walgreen, and so on.⁹ Unfortunately for Kmart, it has reorganized under bankruptcy. Kmart too was on Wal-Mart's "Wanted" sign. Is this what Wal-Mart's strategic plan is? To take down every major grocer, retailer, and bank in America? I hope not. How can we allow that to happen? This seems to me like monopoly 101.

Why would Wal-Mart continue to apply for a bank charter if their intentions were not also to tap into the banking market. The financial and economic system of the United States is the principle of the separation of banking and commerce. This tradition has resulted in the most successful and diversified economic and financial system in the world. The Wal-Mart application presents a huge risk to many. Wal-Mart's size and clout can destroy locally-owned businesses.¹⁰

If a charter is granted, and Wal-Mart does create its own bank, consumers might sacrifice long-standing relationships. A large bank like a Wal-Mart bank will not be able to understand or take into consideration the customer's individual circumstances because it will more than likely be

³ Fine, Camden, August 18, 2005, www.icba.org

⁴ Fine, Camden, August 18, 2005, www.icba.org

⁵ Bianco, Anthony and Zellner, Wendy, Oct 6, 2003, www.businessweek.com

⁶ Adamy, Janet and Berman, Dennis, September 2005, *The Wall Street Journal*

⁷ Adamy, Janet and Berman, Dennis, September 2005, *The Wall Street Journal*

⁸ Adamy, Janet and Berman, Dennis, September 2005, *The Wall Street Journal*

⁹ Bianco, Anthony and Zellner, Wendy, Oct 6, 2004, www.businessweek.com

¹⁰ Fine, Camden, August 18, 2005, www.icba.org

centrally headquartered and underwriting decisions will have to be consistent throughout the organization.¹¹

Currently, our local Wal-Mart exports deposits out of the local community. Local deposits are transferred to the store's central headquarters. This pattern could continue for consumers if a Wal-Mart bank is chartered.

In conclusion, I would say, monopoly, monopoly, monopoly. We've already seen Wal-Mart take down other retailers, let's not allow them to take down the banking industry as well.

Sincerely,



Milton S. McGee
President and CEO
Citizens National Bank
201 West Main St
Henderson, TX 75652

cc: Chris Williston
President
Independent Bankers Association of Texas

Rick Smith
President
Texas Bankers Association

¹¹ Fine, Camden, August 2005, www.icba.org